

OFFICERS

OTHER

DIRECTORS OR TRUSTEES

Subscribed and sworn to before me this _____ day of _____

a. Is this an original filing? Yes [☒] No [☐]

b. If no,

1. State the amendment number.....

2. Date filed

3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	1, 180, 040		1, 180, 040	1, 143, 725
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	54, 354, 184
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens		0	0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$(3, 380, 707) , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$131, 831, 546 , Schedule DA)	128, 450, 838		128, 450, 838	63, 551, 279
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)	1, 873, 928		1, 873, 928	2, 036, 712
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	131, 504, 806	0	131, 504, 806	121, 085, 900
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	601, 037		601, 037	657, 744
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1, 946, 039	219, 618	1, 726, 421	3, 638, 535
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	65, 993		65, 993	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	3, 884, 588	3, 243, 239	641, 349	575, 568
19. Furniture and equipment, including health care delivery assets (\$)	531, 615	531, 615	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0	341, 866
22. Health care (\$1, 092, 464) and other amounts receivable	2, 418, 261	1, 325, 797	1, 092, 464	0
23. Aggregate write-ins for other than invested assets	2, 333, 005	2, 333, 005	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	143, 285, 344	7, 653, 274	135, 632, 070	126, 299, 613
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	143, 285, 344	7, 653, 274	135, 632, 070	126, 299, 613
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Due from University of Michigan	542, 379	542, 379	0	0
2302. Prepaid Expenses	1, 789, 362	1, 789, 362	0	0
2303. Other Receivables	1, 264	1, 264	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2, 333, 005	2, 333, 005	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$0 reinsurance ceded)	33,799,651		33,799,651	35,008,751
2. Accrued medical incentive pool and bonus amounts	15,564,269		15,564,269	10,843,572
3. Unpaid claims adjustment expenses.....	970,208		970,208	908,833
4. Aggregate health policy reserves.....	48,768		48,768	0
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....	7,354,847		7,354,847	8,342,929
9. General expenses due or accrued.....	328,197		328,197	4,060,811
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	96,800		96,800	0
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans.....			0	0
21. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	58,162,740	0	58,162,740	59,164,896
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX		0
27. Surplus notes.....	XXX	XXX		2,831,446
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	77,469,330	64,303,271
30. Less treasury stock, at cost: 30.1 shares common (value included in Line 24 \$)......	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$)......	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	77,469,330	67,134,717
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	135,632,070	126,299,613
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	2,003,496	2,172,484
2. Net premium income (including \$ non-health premium income)	XXX	467,389,596	462,248,418
3. Change in unearned premium reserves and reserve for rate credits	XXX	(48,768)	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	467,340,828	462,248,418
Hospital and Medical:			
9. Hospital/medical benefits	0	326,643,162	325,876,052
10. Other professional services	0	16,745,062	
11. Outside referrals			
12. Emergency room and out-of-area	0	2,587,927	2,837,327
13. Prescription drugs	0	48,167,286	59,109,949
14. Aggregate write-ins for other hospital and medical	0	0	25,453,331
15. Incentive pool, withhold adjustments, and bonus amounts	0	12,575,695	4,504,671
16. Subtotal (Lines 9 to 15)	0	406,719,132	417,781,330
Less:			
17. Net reinsurance recoveries		459,577	
18. Total hospital and medical (Lines 16 minus 17)	0	406,259,555	417,781,330
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 1,950,329 cost containment expenses	0	3,324,906	3,052,885
21. General administrative expenses	0	47,253,627	30,811,458
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22).....	0	456,838,088	451,645,673
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	10,502,740	10,602,745
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		5,304,382	4,109,840
26. Net realized capital gains (losses) less capital gains tax of \$		37,090,115	260,574
27. Net investment gains (losses) (Lines 25 plus 26)	0	42,394,497	4,370,414
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 3,232) (amount charged off \$ 247,499)]		(244,267)	
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	52,652,970	14,973,159
31. Federal and foreign income taxes incurred	XXX	0	
32. Net income (loss) (Lines 30 minus 31)	XXX	52,652,970	14,973,159
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Durable Medical Equipment & Other			15,446,849
1402. Mental Health			10,006,482
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	25,453,331
2901.			
2902.			
2903			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	67,134,717	62,491,476
34. Net income or (loss) from Line 32	52,652,970	14,973,159
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(9,168,209)	(4,014,953)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	2,828,696	(5,314,965)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	(2,831,446)	(1,000,000)
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		0
46. Dividends to stockholders	(33,608,000)	
47. Aggregate write-ins for gains or (losses) in surplus	460,602	0
48. Net change in capital & surplus (Lines 34 to 47)	10,334,613	4,643,241
49. Capital and surplus end of reporting period (Line 33 plus 48)	77,469,330	67,134,717
DETAILS OF WRITE-INS		
4701. Prior Period Adjustment, Allowance for Bad Debt	460,602	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	460,602	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	468,201,804	461,147,068
2. Net investment income	5,357,436	3,920,628
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	473,559,240	465,067,696
5. Benefit and loss related payments	402,813,951	428,758,108
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	54,533,671	34,456,452
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	457,347,622	463,214,560
11. Net cash from operations (Line 4 minus Line 10)	16,211,618	1,853,136
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,857	153,798
12.2 Stocks	87,635,358	9,847,905
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	581,810
12.8 Total investment proceeds (Lines 12.1 to 12.7)	87,641,215	10,583,513
13. Cost of investments acquired (long-term only):		
13.1 Bonds	38,521	328,868
13.2 Stocks	5,205,618	19,898,951
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	67,821
13.7 Total investments acquired (Lines 13.1 to 13.6)	5,244,139	20,295,640
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	82,397,076	(9,712,127)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(2,831,446)	(1,000,000)
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	33,608,000	0
16.6 Other cash provided (applied)	2,730,311	(3,477,760)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(33,709,135)	(4,477,760)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	64,899,559	(12,336,751)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	63,551,279	75,888,030
19.2 End of year (Line 18 plus Line 19.1)	128,450,838	63,551,279

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	467,389,596	443,897,290				23,492,306							
2. Change in unearned premium reserves and reserve for rate credit	(48,768)					(48,768)							
3. Fee-for-service (net of \$													XXX
medical expenses)	0												XXX
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	467,340,828	443,897,290	0	0	0	23,443,538	0	0	0	0	0	0	0
8. Hospital/medical benefits	326,643,162	307,489,389				19,153,773							XXX
9. Other professional services	16,745,062	16,745,062											XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	2,587,927	1,639,053				948,874							XXX
12. Prescription drugs	48,167,286	43,704,500				4,462,786							XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	12,575,695	12,575,695											XXX
15. Subtotal (Lines 8 to 14)	406,719,132	382,153,699	0	0	0	24,565,433	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	459,577	459,577											XXX
17. Total medical and hospital (Lines 15 minus 16)	406,259,555	381,694,122	0	0	0	24,565,433	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$	1,950,329	cost containment expenses				183,369							
20. General administrative expenses	47,253,627	45,256,781				1,996,846							
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	456,838,088	430,092,440	0	0	0	26,745,648	0	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	10,502,740	13,804,850	0	0	0	(3,302,110)	0	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	444,314,834		417,544	443,897,290
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan	23,492,306			23,492,306
6. Title XVIII - Medicare	0			0
7. Title XIX - Medicaid	0			0
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	467,807,140	0	417,544	467,389,596
13. Life	0			0
14. Property/casualty	0			0
15. Totals (Lines 12 to 14)	467,807,140	0	417,544	467,389,596

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	397,770,795	375,555,612				22,215,183							
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	393,584	393,584											
1.4 Net	397,377,211	375,162,028	0	0	0	22,215,183	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	7,854,999	7,854,999											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	33,799,652	30,219,934	0	0	0	3,579,718	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	33,799,652	30,219,934	0	0	0	3,579,718	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	15,564,268	15,564,268											
6. Net healthcare receivables (a)	2,418,260	2,418,260											
7. Amounts recoverable from reinsurers December 31, current year	65,993	65,993											
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	35,008,751	33,779,282	0	0	0	1,229,469	0	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	35,008,751	33,779,282	0	0	0	1,229,469	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0												
9.2 Reinsurance assumed	0												
9.3 Reinsurance ceded	0												
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	10,843,572	10,843,572											
11. Amounts recoverable from reinsurers December 31, prior year	0												
12. Incurred Benefits:													
12.1 Direct	394,143,436	369,578,004	0	0	0	24,565,432	0	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	459,577	459,577	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	393,683,859	369,118,427	0	0	0	24,565,432	0	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	12,575,695	12,575,695	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	16,719,085	16,719,085											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	16,719,085	16,719,085	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1 Direct	17,080,567	13,500,849				3,579,718							
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	17,080,567	13,500,849	0	0	0	3,579,718	0	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1 Direct	33,799,652	30,219,934	0	0	0	3,579,718	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	33,799,652	30,219,934	0	0	0	3,579,718	0	0	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	32,655,547	342,440,490	245,545	29,974,388	32,901,092	33,779,282
2. Medicare Supplement					0	
3. Dental Only					0	
4. Vision Only					0	
5. Federal Employees Health Benefits Plan	2,178,867	20,036,316	24,460	3,555,258	2,203,327	1,229,469
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	34,834,414	362,476,806	270,005	33,529,646	35,104,419	35,008,751
10. Healthcare receivables (a)		2,418,260			0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	7,854,999		1,338,538	14,225,730	9,193,537	10,843,572
13. Totals (Lines 9 - 10 + 11 + 12)	42,689,413	360,058,546	1,608,543	47,755,376	44,297,956	45,852,323

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior					18,247	373	0	0	
2.	2002					278,390	31,520	119		
3.	2003					XXX	293,806	27,732	1,419	
4.	2004					XXX	XXX	347,527	35,948	
5.	2005					XXX	XXX	XXX	369,521	40,510
6.	2006					XXX	XXX	XXX	XXX	340,023

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior					0	0	0	0	
2.	2002					313,294	0			
3.	2003					XXX	323,539			
4.	2004					XXX	XXX	375,938	645	
5.	2005					XXX	XXX	XXX	404,005	42,094
6.	2006					XXX	XXX	XXX	XXX	384,223

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2002	362,183			0.0	0	0.0			0	0.0
2.	2003	390,098			0.0	0	0.0			0	0.0
3.	2004	419,067			0.0	0	0.0			0	0.0
4.	2005	441,613	40,510	440	1.1	40,950	9.3	1,584	131	42,665	9.7
5.	2006	443,897	340,023	2,644	0.8	342,667	77.2	44,201	786	387,654	87.3

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	852	0	0	0	
2.	2002	7,220	2,482	0		
3.	2003	XXX	9,061	177		
4.	2004	XXX	XXX	7,072	204	
5.	2005	XXX	XXX	XXX	7,582	2,179
6.	2006	XXX	XXX	XXX	XXX	20,036

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	0	0	0	0	
2.	2002	7,523	0			
3.	2003	XXX	11,653			
4.	2004	XXX	XXX	7,170	(143)	
5.	2005	XXX	XXX	XXX	8,811	2,203
6.	2006	XXX	XXX	XXX	XXX	23,591

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2002	17,583			0.0	0	0.0			0	0.0
2. 2003	21,611			0.0	0	0.0			0	0.0
3. 2004	19,512			0.0	0	0.0			0	0.0
4. 2005	20,635	2,179	25	1.1	2,204	10.7	24	5	2,233	10.8
5. 2006	23,443	20,036	155	0.8	20,191	86.1	3,555	48	23,794	101.5

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior					17,889	135	0	0	0
2.	2002					91,130	16,827	0		0
3.	2003					XXX	58,135	5,346	22	0
4.	2004					XXX	XXX			
5.	2005					XXX	XXX	XXX		
6.	2006					XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior					0	0	0	0	0
2.	2002					104,819	0			0
3.	2003					XXX	58,422		(42)	0
4.	2004					XXX	XXX			
5.	2005					XXX	XXX	XXX		
6.	2006					XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2002	85,291			0.0	0	0.0			0	0.0
2.	2003	46,311			0.0	0	0.0			0	0.0
3.	2004				0.0	0	0.0			0	0.0
4.	2005				0.0	0	0.0			0	0.0
5.	2006				0.0	0	0.0			0	0.0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	36,988	508	0	0	0
2.	2002	376,740	50,829	119	0	0
3.	2003	XXX	361,002	33,255	1,441	0
4.	2004	XXX	XXX	354,599	36,152	0
5.	2005	XXX	XXX	XXX	377,103	42,689
6.	2006	XXX	XXX	XXX	XXX	360,059

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	0	0	0	0	0
2.	2002	425,636	0	0	0	0
3.	2003	XXX	393,614	0	(42)	0
4.	2004	XXX	XXX	383,108	502	0
5.	2005	XXX	XXX	XXX	412,816	44,297
6.	2006	XXX	XXX	XXX	XXX	407,814

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2002	465,057	0	0	0.0	0	0.0	0	0	0	0.0
2. 2003	458,020	0	0	0.0	0	0.0	0	0	0	0.0
3. 2004	438,579	0	0	0.0	0	0.0	0	0	0	0.0
4. 2005	462,248	42,689	465	1.1	43,154	9.3	1,608	136	44,898	9.7
5. 2006	467,340	360,059	2,799	0.8	362,858	77.6	47,756	834	411,448	88.0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Unearned premium reserves .....	.0											
2. Additional policy reserves (a) .....	.0											
3. Reserve for future contingent benefits .....	.0											
4. Reserve for rate credits or experience rating refunds (including \$) for investment income	48,768					48,768						
5. Aggregate write-ins for other policy reserves ...	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	48,768	.0	.0	.0	.0	48,768	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net)(Page 3, Line 4)	48,768	.0	.0	.0	.0	48,768	.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims .....	.0											
10. Reserve for future contingent benefits .....	.0											
11. Aggregate write-ins for other claim reserves ...	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0											
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Claim Adjustment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)			2,449,714		2,449,714
2. Salary, wages and other benefits	1,928,030	938,016	22,571,941		25,437,987
3. Commissions (less \$ ceded plus \$ assumed)	0	0	5,662,503		5,662,503
4. Legal fees and expenses	0	0	0		0
5. Certifications and accreditation fees	0	0	0		0
6. Auditing, actuarial and other consulting services	7,061	0	1,311,766		1,318,827
7. Traveling expenses	0	6,195	135,808		142,003
8. Marketing and advertising	2,548	0	762,863		765,411
9. Postage, express and telephone	0	73,287	751,542		824,829
10. Printing and office supplies	0	82,402	500,801		583,203
11. Occupancy, depreciation and amortization	0	0	1,291,403		1,291,403
12. Equipment	0	2,786	1,582,627		1,585,413
13. Cost or depreciation of EDP equipment and software	0	0	2,756,556		2,756,556
14. Outsourced services including EDP, claims, and other services	12,690	77,616	5,301,632		5,391,938
15. Boards, bureaus and association fees		194,275	314,558		508,833
16. Insurance, except on real estate					0
17. Collection and bank service charges			51,574		51,574
18. Group service and administration fees					0
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			(73,631)		(73,631)
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees					0
23.4 Payroll taxes			1,881,970		1,881,970
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere			0	95,064	95,064
25. Aggregate write-ins for expenses	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25)	1,950,329	1,374,577	47,253,627	95,064	(a) 50,673,597
27. Less expenses unpaid December 31, current year		970,208	328,197		1,298,405
28. Add expenses unpaid December 31, prior year		908,833	4,060,812		4,969,645
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,950,329	1,313,202	50,986,242	95,064	54,344,837
DETAILS OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of \$ to affiliates and \$33,611,161 to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds	(a) .....38,521	.....42,356
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated)	1,542,842	1,542,842
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5	Contract Loans		
6	Cash, cash equivalents and short-term investments	(e) .....4,124,695	.....4,161,897
7	Derivative instruments	(f) .....	.....
8.	Other invested assets .....		.....
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	5,706,058	5,747,095
11.	Investment expenses		(g) .....95,064
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....0
13.	Interest expense		(h) .....347,649
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		442,713
17.	Net investment income (Line 10 minus Line 16)		5,304,382
DETAILS OF WRITE-INS			
0901.	.....	
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$(188) accrual of discount less \$(3,841) amortization of premium and less \$0 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$163,371 accrual of discount less \$(69,278) amortization of premium and less \$(194,718) paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$.95,064 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$347,649 interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds				0
1.1	Bonds exempt from U.S. tax				0
1.2	Other bonds (unaffiliated)				0
1.3	Bonds of affiliates				0
2.1	Preferred stocks (unaffiliated)				0
2.11	Preferred stocks of affiliates				0
2.2	Common stocks (unaffiliated)	8,888,872		(1,840,515)	7,048,357
2.21	Common stocks of affiliates	28,195,756		(7,168,560)	21,027,196
3.	Mortgage loans				0
4.	Real estate				0
5.	Contract Loans				0
6.	Cash, cash equivalents and short-term investments	5,487			5,487
7.	Derivative instruments				0
8.	Other invested assets			(162,785)	(162,785)
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0
10.	Total capital gains (losses)	37,090,115	0	(9,171,860)	27,918,255
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0		0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	219,618	59,026	(160,592)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software	3,243,239	3,739,740	496,501
19. Furniture and equipment, including health care delivery assets	531,615	253,839	(277,776)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates	0		0
22. Health care and other amounts receivable	1,325,797		(1,325,797)
23. Aggregate write-ins for other than invested assets	2,333,005	6,429,365	4,096,360
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	7,653,274	10,481,970	2,828,696
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. Total (Lines 24 and 25)	7,653,274	10,481,970	2,828,696
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Due from University of Michigan	542,379		(542,379)
2302. Prepaid Expenses	1,789,362	5,792,624	4,003,262
2303. Other Receivables	1,264	0	(1,264)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	636,741	636,741
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,333,005	6,429,365	4,096,360

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	162,459	153,457	149,476	150,143	148,206	1,814,638
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service	18,423	16,225	15,446	14,667	15,495	188,858
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	180,882	169,682	164,922	164,810	163,701	2,003,496
DETAILS OF WRITE-INS						
0601.	0					
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of M-CARE are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services ("OFIS").

OFIS recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual*, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Michigan. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP.

A reconciliation of M-CARE's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below (in thousands):

	2006	2005
Net Income, Michigan basis	\$ 52,652,970	\$ 14,973,159
State Prescribed Practices:		
None	-	-
State Permitted Practices:		
None	-	-
Net Income, NAIC SAP basis	<u>\$ 52,652,970</u>	<u>\$ 14,973,159</u>
 Statutory Capital and Surplus, Michigan basis	 \$ 77,469,330	 \$ 67,134,717
State Prescribed Practices:		
None		-
State Permitted Practices:		
None		
Statutory Capital and Surplus, NAIC SAP basis	<u>\$ 77,469,330</u>	<u>\$ 67,134,717</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements, in conformity with Statutory Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

M-CARE uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

- (2) Bonds not backed by other loans are stated at amortized cost using the scientific interest method.
- (3) Common Stocks – NOT APPLICABLE
- (4) Preferred Stocks – NOT APPLICABLE
- (5) Mortgage loans on real estate – NOT APPLICABLE
- (6) Loan-backed securities – NOT APPLICABLE
- (7) M-CARE records its investment in M-CAID, a wholly owned subsidiary, as Other invested assets using the audited statutory equity method and reports the increase or decrease in the investment as a change in unrealized gain or loss for capital and surplus. M-CAID is a non-stock, membership nonprofit corporation, of whom M-CARE is the sole member.
- (8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE
- (9) Derivatives – NOT APPLICABLE
- (10) At December 31, 2006, M-CARE was not required to record a premium deficiency reserve. If the need to record such a reserve arises, M-CARE would consider using anticipated investment income as a factor in the premium deficiency calculation.
- (11) Claims Unpaid – The claims unpaid liability for incurred but unpaid and unreported hospital and medical claims is accrued in the period during which the services are provided, and includes actuarial estimates of services performed which have not been reported by providers to M-CARE. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. M-CARE had reinsured certain of its claims liabilities through an authorized reinsurer. Processing expense related to claims is accrued based on an estimate of expenses to process such claims.
- (12) At December 31, 2006, M-CARE had no change in its capitalization policy from the prior period.
- (13) Pharmaceutical rebate receivables are based on estimates received from a third party vendor and an amount per filled prescription.

2. Accounting Changes and Corrections of Errors

2005 annual statement presentation errors

In preparing the 2006 annual statement, M-CARE management found presentation errors in the 2005 annual statement that, while not having an effect on the 2005 net gain or total assets, liabilities or capital and surplus at December 31, 2005, did not follow NAIC SAP instructions and resulted in the incorrect presentation of categories in the *Annual Statement*. The errors are as follows:

Agents commissions of \$5,877,814 were included in revenue as a reduction to premium and should have been classified as general administrative expense. Restated 2005 revenue and general administrative expense is \$468,126,232 and \$36,689,272, respectively.

Hospital and medical expenses included certain administrative fees of \$2,399,828 that should have been included in claims adjustment expenses. Hospital and medical expenses also include the change from the prior year in the liability for unpaid claims adjustment expense of \$204,487 which should have been included in claims adjustment expense. Restated 2005 hospital and medical expenses and claims adjustment expense is \$415,585,989 and \$5,248,226, respectively.

A payable for the Federal Employee Health Benefit Plan of \$269,600 was included in Uncollected premiums and not identified separately as Aggregate health policy reserves. Restated December 31,

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

2005 Aggregate health policy reserves is \$269,600 and Uncollected premiums is \$3,908,135.

Prior period premium revenue allowance

In 2006, M-CARE made an adjustment to increase capital and surplus by \$460,602 to eliminate the effect of a GAAP allowance off-setting premium revenue which was created in a prior period.

3. Business Combinations and Goodwill

- A. Statutory Purchase Method – NOT APPLICABLE
- B. Statutory Merger – NOT APPLICABLE
- C. Assumption Reinsurance – NOT APPLICABLE
- D. Impairment Loss

Due to the purchase of M-CARE by Blue Care Network of Michigan, certain assets included in Electronic data processing equipment and software and Furniture and equipment were impaired after a review of a third party expert. The loss realized in 2006 was \$2,516,783.

4. Discontinued Operations – On December 31, 2006, M-CARE sold Michigan Health Insurance Company (“MHIC”), a wholly-owned subsidiary, to Blue Cross Blue Shield of Michigan (“BCBSM”) for \$33,608,000. Upon receiving the proceeds, M-CARE paid a dividend on December 31, 2006 to The Regents of the University of Michigan (“The Regents”) for the total amount of the sale.

The sale resulted in a gain of \$28,195,756 that is reported as a realized gain on M-CARE’s 2006 Statement of Revenues and Expenses. The gain represents the difference between the sale price and the statutory book value of MHIC at December 31, 2006. The dividend paid to The Regents for the sale proceeds resulted in a reduction to M-CARE at December 31, 2006 of \$5,412,244 in total admitted assets and in total capital and surplus, therefore eliminating the book value of M-CARE’s previous investment in the subsidiary, MHIC.

The dividend of the sale proceeds was approved by the M-CARE Board of Directors at a special board meeting on November 20, 2006 in preparation for the pending acquisition of MHIC by BCBSM.

5. Investments

- A. Mortgage Loans – NOT APPLICABLE
- B. Debt Restructuring – NOT APPLICABLE
- C. Reverse Mortgages – NOT APPLICABLE
- D. Loan-Backed Securities – NOT APPLICABLE
- E. Repurchase Agreements – NOT APPLICABLE
- F. Real Estate – NOT APPLICABLE
- G. Investments in low-income housing tax credits (LIHTC) – NOT APPLICABLE

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE.

7. Investment Income – M-CARE had no non-admitted accrued investment income as of December 31, 2006 and 2005, respectively. M-CARE excludes from surplus any due and accrued income that is over 90 days past due.

8. Derivative Instruments – NOT APPLICABLE

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9. Income Taxes – M-CARE has been recognized by the Internal Revenue Service under Internal Revenue Code Section 501(c)(4) as an organization exempt from tax under 501(a). In 2006 and 2005, M-CARE recorded no federal income tax expense on unrelated business income.
10. Information Concerning Parent, Subsidiaries and Affiliates

On December 31, 2006, M-CARE, a nonprofit stock corporation, became a wholly-owned subsidiary of Blue Care Network of Michigan ("BCN"), an HMO domiciled in the State of Michigan and a wholly-owned subsidiary of BCBSM. M-CARE is licensed by the State of Michigan as a health maintenance organization ("HMO") and was formed in 1986 by the University of Michigan to offer managed healthcare services to the employees of the University of Michigan and to the employees of other employers in Southeast Michigan.

M-CARE conducted business transactions with its subsidiary, M-CAID, and its former subsidiary and current affiliate, MHIC, on a routine basis. M-CARE also conducted certain business transactions with its parent, BCN. All related party receivable and payable balances were classified as either amounts due to or from parent, subsidiaries and affiliates.

University of Michigan Relationship

Prior to being acquired by BCN on December 31, 2006, M-CARE was a wholly-owned subsidiary of the University of Michigan ("The University") and was one of four University units that together comprised the University of Michigan Health System ("UMHS"). Along with M-CARE, the UMHS included the University of Michigan Hospitals and Health Centers, the University of Michigan Medical School, and Michigan Health Corporation.

M-CARE arranges for healthcare services to be provided through the UMHS and a comprehensive network of community hospitals, physicians, and other healthcare providers. M-CARE also conducted business transactions with the University and affiliates on a routine basis.

BCN - BCN made purchases on behalf of M-CARE for certain miscellaneous administrative expenses and billed M-CARE for payment. BCN billed M-CARE \$98,600 in 2006. M-Care owed BCN \$98,600 at December 31, 2006.

M-CAID - M-CAID is a wholly-owned subsidiary of M-CARE. M-CAID was incorporated in 2002 and commenced business in 2003 to separate Medicaid HMO operations and financing from M-CARE and offers Medicaid HMO services to members in three counties in Southeast Michigan.

M-CARE records its investment in M-CAID as other invested assets using the audited statutory equity method. M-CARE's investment in M-CAID was \$1,873,929 and \$2,036,712 at December 31, 2006 and 2005, respectively. M-CARE performs the test of "significance of an investment to the reporting entity's financial position and results of operations", as required by SSAP No. 88, "Investments in Subsidiary, Controlled, an Affiliated Entities, A Replacement of SSAP No.46". M-CARE's carrying value of its investment in M-CAID does not exceed 10% of the M-CARE's total admitted assets.

M-CARE provides and bills M-CAID for miscellaneous administrative support. M-CARE billed M-CAID \$3,826,910 and \$2,840,606 for 2006 and 2005, respectively. M-CAID owed M-CARE \$0 at December 31, 2006 and 2005.

MHIC – Prior to the sale of MHIC to BCBSM on December 31, 2006, MHIC was a wholly-owned subsidiary of M-CARE. MHIC was incorporated in 2003 and commenced business in 2004 for the purpose of expanding M-CARE's product lines to include a variety of insured and self funded preferred provider (PPO) products.

M-CARE provides and bills MHIC for miscellaneous administrative support. M-CARE billed MHIC \$4,113,957 and \$2,782,730 for 2006 and 2005, respectively. MHIC owed M-CARE \$0 at December 31, 2006 and 2005.

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The University - All of M-CARE's staff are employees of the University. M-CARE reimburses the University for payroll, fringe benefits, payroll taxes and payroll processing costs. Additionally, M-CARE had been contracting with the University to provide certain other administrative duties. The University billed M-CARE \$33,611,161 and \$25,340,610 in 2006 and 2005, respectively. For these services, M-CARE owed the University of Michigan \$0 at December 31, 2006 and 2005.

Administrative support fees paid to the University were allocated to the statutory administrative expense categories of cost containment, claims adjustment, general administrative and investment expense, based on M-CARE's statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on M-CARE's expense detail.

The University purchases health insurance coverage for certain of its employees from M-CARE. The amounts billed by M-CARE for such insurance were \$142,760,212 and \$128,332,125 in 2006 and 2005, respectively. The University owed M-CARE \$0 at December 31, 2006 and 2005.

Based on contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice, the University billed M-CARE \$237,681,358 and \$232,115,752 in 2006 and 2005, respectively for certain health care expenses incurred for services received by M-CARE's members as a result of contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice. For these services, M-CARE owed the University of Michigan \$9,979,190 and \$5,044,638 at December 31, 2006 and 2005, respectively.

M-CARE does not guarantee or undertake for the benefit of an affiliate a material contingent exposure of M-CARE's or any affiliated insurer's assets or liabilities.

M-CARE does not have management or service contracts or cost sharing arrangements, other than such arrangements described in these footnotes.

M-CARE does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

M-CARE, M-CAID, BCN, BCBSM and MHIC have some common officers and board members on their respective governing boards.

11. Debt – NOT APPLICABLE
12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans – NOT APPLICABLE
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.
 - (1) M-CARE has 10,000 shares authorized, 100 shares issued and 100 shares outstanding. The shares have no par value and are one class - all common stock.
 - (2) Preferred stock – NOT APPLICABLE
 - (3) The Company's Articles of Incorporation do not prohibit dividends.
 - (4) The Company's Articles of Incorporation do not allow any portion of the net earnings to benefit any private individual.
 - (5) There were no restrictions placed on the M-CARE's surplus, including for whom the surplus is being held.
 - (6) The total amount of advances to surplus not repaid – NOT APPLICABLE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

- (7) The amount of stock held by M-CARE for special purposes – NOT APPLICABLE
- (8) Special surplus funds changes – NOT APPLICABLE
- (9) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses were an unrealized loss of \$9,168,209 as of December 31, 2006.
- (10) Surplus debentures of similar obligations –

The surplus note payable to the University of Michigan was issued on May 22, 1986 at \$5,000,000, with a balance at December 31, 2005 and 2006 of \$2,831,000 and \$0, respectively. Principal and interest payments were subject to approval by the M-CARE's Board of Directors and the OFIS, and are subordinate to the payment of administrative and health care costs. Interest was computed annually based on the lesser of 7.0 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 4.42 percent to 5.11 percent for 2006 and 4.0 percent to 4.5 percent for 2005. Accumulated interest payable to the University of Michigan on the note payable totaled \$0 and \$268,000 at December 31, 2006 and 2005, respectively, and is not reported for statutory purposes. Principal payments of \$2,831,000 and \$1,000,000 were made on the subordinated note in 2006 and 2005, respectively. Interest payments totaling \$347,649 and \$0 were paid in 2006 and 2005, respectively.

- (11) Impact of any restatement due to quasi-reorganization – NOT APPLICABLE
- (12) Effective dates of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

14. Contingencies

- a. Contingent Commitments – NOT APPLICABLE
- b. Assessments – NOT APPLICABLE
- c. Gain Contingencies – NOT APPLICABLE
- d. All Other Contingencies

M-CARE and its affiliated physicians are parties to lawsuits incidental to the operations of the M-CARE. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. Leases

A. Lessee Operating Lease

(1) Lessee's leasing arrangements

M-CARE has entered into certain noncancellable land and building leases with an unrelated third party. Total rental expense for operating leases for office space was \$2,989,310 in 2006 and \$3,146,617 in 2005, respectively.

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(2) Noncancellable leases

a. The future minimum aggregate rental commitments at December 31, 2006, required in connection with operating leases that have initial or remaining non-cancelable terms in excess of one year, are as follows (in thousands):

Year ending December 31 of:	2007	\$3,338,174
	2008	\$2,498,496
	2009	\$1,728,038
	2010	\$1,638,205
	2011	<u>- 0 -</u>
Total		\$9,202,913

b. Non-cancellable subleases – NOT APPLICABLE

(3) Sales-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – NOT APPLICABLE
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – NOT APPLICABLE
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – NOT APPLICABLE
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE
20. September 11 Events – NOT APPLICABLE
21. Other Items
 - A. Extraordinary Items – NOT APPLICABLE
 - B. Troubled Debt Restructuring – NOT APPLICABLE
 - C. Other Disclosures

Statutory Deposit - As a condition of licensure with the State of Michigan, M-CARE is required to maintain a minimum deposit of \$1,000,000 in a segregated account. These funds can only be used by M-CARE at the direction of the Insurance Commissioner of the State of Michigan. The funds are invested in U.S. Treasury Notes with interest accruing in a Money Market Mutual Fund.

- D. Other Disclosures, Uncollectible Assets on Uninsured plans – NOT APPLICABLE
- E. Business Interruption Insurance Recoveries – NOT APPLICABLE
- F. Hybrid Securities – NOT APPLICABLE
- G. State Transferable Tax Credits – NOT APPLICABLE
- H. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – NOT APPLICABLE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

22. Events Subsequent – Starting on January 1, 2007, M-CARE has reinsured certain of its claims liabilities through an affiliate, Blue Care Network Stop-Loss and Casualty Self-Insurance Trust. The coverage consists of medical claims stop-loss coverage of up to the limits of trust assets after a \$150,000 deductible and coverage to lower the deductibles for general liability, automobile, and property damage insurance from \$1,000,000 to \$250,000 and the deductible for fidelity insurance from \$500,000 to \$250,000. It also includes insolvency protection.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1- General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (X)

If yes, give full details.

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

a.) If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE

b.) What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE

2. Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

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Section 3 – Ceded Reinsurance Report – Part B

1. What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate.

The estimated effect on M-CARE total capital and surplus would be a decrease of \$65,993.

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? - NOT APPLICABLE

B) Uncollectible Reinsurance – None

C) Commutation of Ceded Reinsurance – None

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A) M-CARE estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to redetermination based on an examination of contract requirements in relation to the rates charged for similar sized subscriber groups and the status of past applicable audits.

B) Accrued redetermination premium adjustments and return premium adjustments are recorded as an adjustment to earned premium.

C) The amount of net premiums written by M-CARE that are subject to redetermination provisions was \$23,443,538 and \$21,686,998 for 2006 and 2005, respectively, representing approximately 5.0% and 4.7% of the total net premiums written for commercial health for 2006 and 2005, respectively. No other premiums written by M-CARE are subject to redetermination provisions.

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

25. Change in Incurred Losses and Loss Adjustment Expenses -

Activity in the liabilities for unpaid claims and claims adjustment expenses at December 31, 2006 and 2005, respectively is summarized as follows:

	2006	2005
BALANCE—January 1	\$ 35,917,584	\$ 37,336,694
Incurred related to:		
Current year	396,913,098	413,255,924
Prior year	<u>95,668</u>	<u>3,073,620</u>
Total incurred	397,008,766	416,329,544
Paid related to:		
Current year	362,866,118	379,042,670
Prior year	<u>35,290,373</u>	<u>38,705,984</u>
Total paid	<u>398,156,491</u>	<u>417,748,654</u>
BALANCE—December 31	<u>\$ 34,769,859</u>	<u>\$ 35,917,584</u>
Balance at December 31:		
Liability for claims unpaid	\$ 33,799,651	\$ 35,008,751
Liability for unpaid claims adjustment expenses	<u>970,208</u>	<u>908,833</u>
Total	<u>\$ 34,769,859</u>	<u>\$ 35,917,584</u>

Changes in actuarial estimates of claims unpaid reported as “incurred related to prior year” in the schedule above reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

26. Inter-company Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE

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28. Health Care Receivables—

Healthcare receivables include pharmacy rebates M-CARE receives from a third party vendor. These rebates are calculated using estimates received from a third party vendor and an amount per filled prescription. Activity for the previous three years is summarized as follows:

Quarter	(1) Estimated Pharmacy Rebates as Reported on Financial Statements	(2) Pharmacy Rebates as Billed or Otherwise Confirmed	(3) Actual Rebates Received Within 90 days of Billing	(4) Actual Rebates Received Within 91 to 180 Days of Billing	(5) Actual Rebates Received More Than 180 Days After Billing
12/31/2006	\$ 1,092,463	-	-	-	-
9/30/2006	1,595,614	-	-	-	-
6/30/2006	730,000	-	-	-	-
3/31/2006	-	-	-	-	\$ 477,648
12/31/2005	710,000	-	-	-	1,189,190
9/30/2005	397,000	-	-	-	919,713
6/30/2005	707,000	-	-	-	1,302,339
3/31/2005	926,000	-	-	-	1,550,388
12/31/2004	746,000	-	-	-	746,000
9/30/2004	1,242,000	-	-	-	1,242,000
6/30/2004	-	-	-	-	-
3/31/2004	738,000	-	-	-	738,000

29. Participating Policies – NOT APPLICABLE

30. Premium Deficiency Reserves –

M-CARE was not required to record a premium deficiency reserve in 2006 or 2005. If the need to record such a reserve arises, M-CARE would consider using anticipated investment income as a factor in the premium deficiency calculation.

31. Anticipated Salvage and Subrogation – NOT APPLICABLE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	1,180,040	0.897	1,180,040	0.897
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000		0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000		0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000		0.000
6. Contract loans		0.000		0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	128,450,839	97.678	128,450,839	97.678
9. Other invested assets	1,873,928	1.425	1,873,928	1.425
10. Total invested assets	131,504,807	100.000	131,504,807	100.000

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐

2.2

If yes, date of change:

12/22/2006

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/30/2005

3.4

By what department or departments?
Dept of Labor & Economic Growth - Office of Financial and Insurance Services

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business?
4.12 renewals?

Yes ☐ No ☒
Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business?
4.22 renewals?

Yes ☐ No ☒
Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,
7.21 State the percentage of foreign control:
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, Suite 900, 600 Renaissance Center, Detroit, MI 48243-1895
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Martin E. Staehlin, FSA, MAAA, Consulting Actuary, c/o PricewaterhouseCoopers LLP, 1 North Wacker Dr., Chicago, IL 60606
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]
- 11.11

Name of real estate holding company
- 11.12

Number of parcels involved
- 11.13

Total book/adjusted carrying value

\$
- 11.2

If, yes provide explanation:
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

N/A
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] N/A []

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
14.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
15.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

- 16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers.....

\$

16.12 To stockholders not officers.....

\$

16.13 Trustees, supreme or grand (Fraternal Only)

\$
- 16.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers.....

\$

16.22 To stockholders not officers.....

\$

16.23 Trustees, supreme or grand (Fraternal Only)

\$
- 17.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 17.2

If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others.....

\$

17.22 Borrowed from others.....

\$

17.23 Leased from others

\$

17.24 Other

\$
- 18.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 18.2

If answer is yes,

18.21 Amount paid as losses or risk adjustment \$

18.22 Amount paid as expenses

\$

18.23 Other amounts paid

\$
- 19.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [] No [X]
- 19.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount?

\$

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others\$

21.22 Subject to repurchase agreements\$

21.23 Subject to reverse repurchase agreements\$

21.24 Subject to dollar repurchase agreements\$

21.25 Subject to reverse dollar repurchase agreements\$

21.26 Pledged as collateral\$

21.27 Placed under option agreements\$

21.28 Letter stock or other securities restricted as to sale\$

21.29 Other\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year.\$

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.J - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Nature of Custodian(s)	2 Custodian's Address
Mellon Bank	135 Santilli Hwy Everett, MA 02149
.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....
.....
.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)]? Yes [] No [X]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
25.2999 - Total		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	1,180,040	1,175,843	(4,197)
26.2 Preferred stocks			0
26.3 Totals	1,180,040	1,175,843	(4,197)

26.4 Describe the sources or methods utilized in determining the fair values:
Fair values are provided by The Bank of New York via detailed investment reports received.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$153,948

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	60,513
America's Health Insurance Plans	93,435
.....	

29.1 Amount of payments for legal expenses, if any?\$

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [☐] No [☒]

1.2

If yes, indicate premium earned on U. S. business only

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

.....

All years prior to most current three years

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

.....

All years prior to most current three years

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

467,389,596

462,248,418

2.2

Premium Denominator

467,389,596

462,248,418

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

49,412,688

45,852,323

2.5

Reserve Denominator

49,412,688

45,852,323

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [☐] No [☒]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [☒] No [☐]

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [☐] No [☒]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [☒] No [☐]

5.2

If no, explain

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

300,000

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
M-CARE has an insolvency protection arrangement with Allianz Life Insurance Co. of North America.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [☒] No [☐]

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

5,489

8.2

Number of providers at end of reporting year

5,851

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [☐] No [☒]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months..\$.....

9.22

Business with rate guarantees over 36 months

\$

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

GENERAL INTERROGATORIES

- 10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes ☒ No ☐
- 10.2

If yes:

10.21

Maximum amount payable bonuses.....

\$ 330,864

10.22

Amount actually paid for year bonuses.....

\$ 81,860

10.23

Maximum amount payable withholds.....

\$ 3,438,382

10.24

Amount actually paid for year withholds.....

\$ 3,113,343
- 11.1

Is the reporting entitiy organized as:

11.12

A Medical Group/Staff Model,

Yes ☐ No ☒

11.13

An Individual Practice Association (IPA), or, .

Yes ☒ No ☐

11.14

A Mixed Model (combination of above)?

Yes ☐ No ☒
- 11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes ☒ No ☐
- 11.3

If yes, show the name of the state requiring such net worth

Michigan
- 11.4

If yes, show the amount required

\$ 18,712,286
- 11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes ☐ No ☒
- 11.6

If the amount is calculated, show the calculation

4% of subscription revenue: \$467,807,140 x 4% = \$18,712,286
12.

List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
GENESEE
INGHAM (Partial)
JACKSON (Partial)
LAPEER (Partial)
LIVINGSTON
MACOMB
MONROE (Partial)
OAKLAND
ST. CLAIR (Partial)
WASHTENAW
WAYNE
.....

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	135,632,070	126,299,613	131,555,583	133,443,620	136,287,718
2. Total liabilities (Page 3, Line 22)	58,162,740	59,164,896	69,064,103	81,956,208	94,700,372
3. Statutory surplus	18,712,286	18,489,927			
4. Total capital and surplus (Page 3, Line 31)	77,469,330	67,134,717	62,491,480	51,487,412	41,546,093
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	467,340,828	462,248,418	438,578,950	458,020,490	488,681,852
6. Total medical and hospital expenses (Line 18)	406,259,555	417,781,330	397,749,449	415,873,023	451,402,456
7. Claims adjustment expenses (Line 20)	3,324,906	3,052,885	2,817,198	0	0
8. Total administrative expenses (Line 21)	47,253,627	30,811,458	29,806,530	33,683,203	35,420,712
9. Net underwriting gain (loss) (Line 24)	10,502,740	10,602,745	8,205,773	8,464,264	1,858,684
10. Net investment gain (loss) (Line 27)	42,394,497	4,370,414	2,566,652	2,056,967	3,360,869
11. Total other income (Lines 28 plus 29)	(244,267)	0	(411,205)	(1,343,000)	(886,000)
12. Net income or (loss) (Line 32)	52,652,970	14,973,159	10,361,220	9,178,231	4,333,553
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	77,469,330	67,134,717	62,491,480	51,487,412	41,546,093
14. Authorized control level risk-based capital	12,190,867	16,283,283	13,728,787	12,490,127	13,721,645
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	163,701	180,882	183,355	191,548	205,170
16. Total members months (Column 6, Line 7)	2,003,496	2,172,484	2,191,203	2,310,920	2,426,305
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	86.9	90.4	90.7	90.8	92.4
19. Cost containment expenses	0.4	0.4	0.4	XXX	XXX
20. Other claims adjustment expenses	0.3	0.3	0.3	0.0	0.0
21. Total underwriting deductions (Line 23)	97.8	97.7	98.1	98.2	99.6
22. Total underwriting gain (loss) (Line 24)	2.2	2.3	1.9	1.8	0.4
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	44,297,956	55,500,089	60,425,885	68,847,080	58,506,923
24. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	45,852,323	57,942,421	69,134,789	80,318,547	73,867,399
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0		0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)			0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)		12,580,801	9,627,609	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate					
30. All other affiliated	1,873,928	2,036,712	2,058,471	0	0
31. Total of above Lines 25 to 30	1,873,928	14,617,513	11,686,080	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year		1	2	3	4
Description		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	1,180,040	1,175,843	1,177,066	1,074,454
	2. Canada				
	3. Other Countries				
	4. Totals	1,180,040	1,175,843	1,177,066	1,074,454
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non- guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	1,180,040	1,175,843	1,177,066	1,074,454
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	0	0	0	
	55. Total Stocks	0	0	0	
	56. Total Bonds and Stocks	1,180,040	1,175,843	1,177,066	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	55,497,910	7. Amortization of premium	(3,841)
2. Cost of bonds and stocks acquired, Col. 7, Part 3	5,244,139	8. Foreign Exchange Adjustment:	
3. Accrual of discount	(188)	8.1 Col. 15, Part 1	0
4. Increase (decrease) by adjustment:		8.2 Col. 19, Part 2, Sec. 1	
4.1 Col. 12 - 14, Part 1	0	8.3 Col. 16, Part 2, Sec. 2	
4.2 Col. 15 - 17, Part 2, Sec. 1	0	8.4 Col. 15, Part 4	0
4.3 Col. 15, Part 2, Sec. 2			
4.4 Col. 11 - 13, Part 4	(9,009,075)		
5. Total gain (loss), Col. 19, Part 4	37,084,628	9. Book/adjusted carrying value at end of current period	1,180,040
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	87,641,215	10. Total valuation allowance	0
		11. Subtotal (Lines 9 plus 10)	1,180,040
		12. Total nonadmitted amounts	0
		13. Statement value of bonds and stocks, current period	1,180,040

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, etc.	1	2	Direct Business Only					
			3	4	5	6	7	8
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1. Alabama	AL	NO						
2. Alaska	AK	NO						
3. Arizona	AZ	NO						
4. Arkansas	AR	NO						
5. California	CA	NO						
6. Colorado	CO	NO						
7. Connecticut	CT	NO						
8. Delaware	DE	NO						
9. District of Columbia	DC	NO						
10. Florida	FL	NO						
11. Georgia	GA	NO						
12. Hawaii	HI	NO						
13. Idaho	ID	NO						
14. Illinois	IL	NO						
15. Indiana	IN	NO						
16. Iowa	IA	NO						
17. Kansas	KS	NO						
18. Kentucky	KY	NO						
19. Louisiana	LA	NO						
20. Maine	ME	NO						
21. Maryland	MD	NO						
22. Massachusetts	MA	NO						
23. Michigan	MI	YES	444,314,834			23,492,306		
24. Minnesota	MN	NO						
25. Mississippi	MS	NO						
26. Missouri	MO	NO						
27. Montana	MT	NO						
28. Nebraska	NE	NO						
29. Nevada	NV	NO						
30. New Hampshire	NH	NO						
31. New Jersey	NJ	NO						
32. New Mexico	NM	NO						
33. New York	NY	NO						
34. North Carolina	NC	NO						
35. North Dakota	ND	NO						
36. Ohio	OH	NO						
37. Oklahoma	OK	NO						
38. Oregon	OR	NO						
39. Pennsylvania	PA	NO						
40. Rhode Island	RI	NO						
41. South Carolina	SC	NO						
42. South Dakota	SD	NO						
43. Tennessee	TN	NO						
44. Texas	TX	NO						
45. Utah	UT	NO						
46. Vermont	VT	NO						
47. Virginia	VA	NO						
48. Washington	WA	NO						
49. West Virginia	WV	NO						
50. Wisconsin	WI	NO						
51. Wyoming	WY	NO						
52. American Samoa	AS	NO						
53. Guam	GU	NO						
54. Puerto Rico	PR	NO						
55. U.S. Virgin Islands	VI	NO						
56. Northern Mariana Islands	MP	NO						
57. Canada	CN	NO						
58. Aggregate Other Aliens	OT	XXX	0	0	0	0	0	0
59. Subtotal	XXX	XXX	444,314,834	0	0	23,492,306	0	0
60. Reporting Entity Contributions for Employee Benefit Plans	XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	444,314,834	0	0	23,492,306	0	0
DETAILS OF WRITE-INS								
5801.	XXX	XXX						
5802.	XXX	XXX						
5803.	XXX	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 plus 5898)(Line 58 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

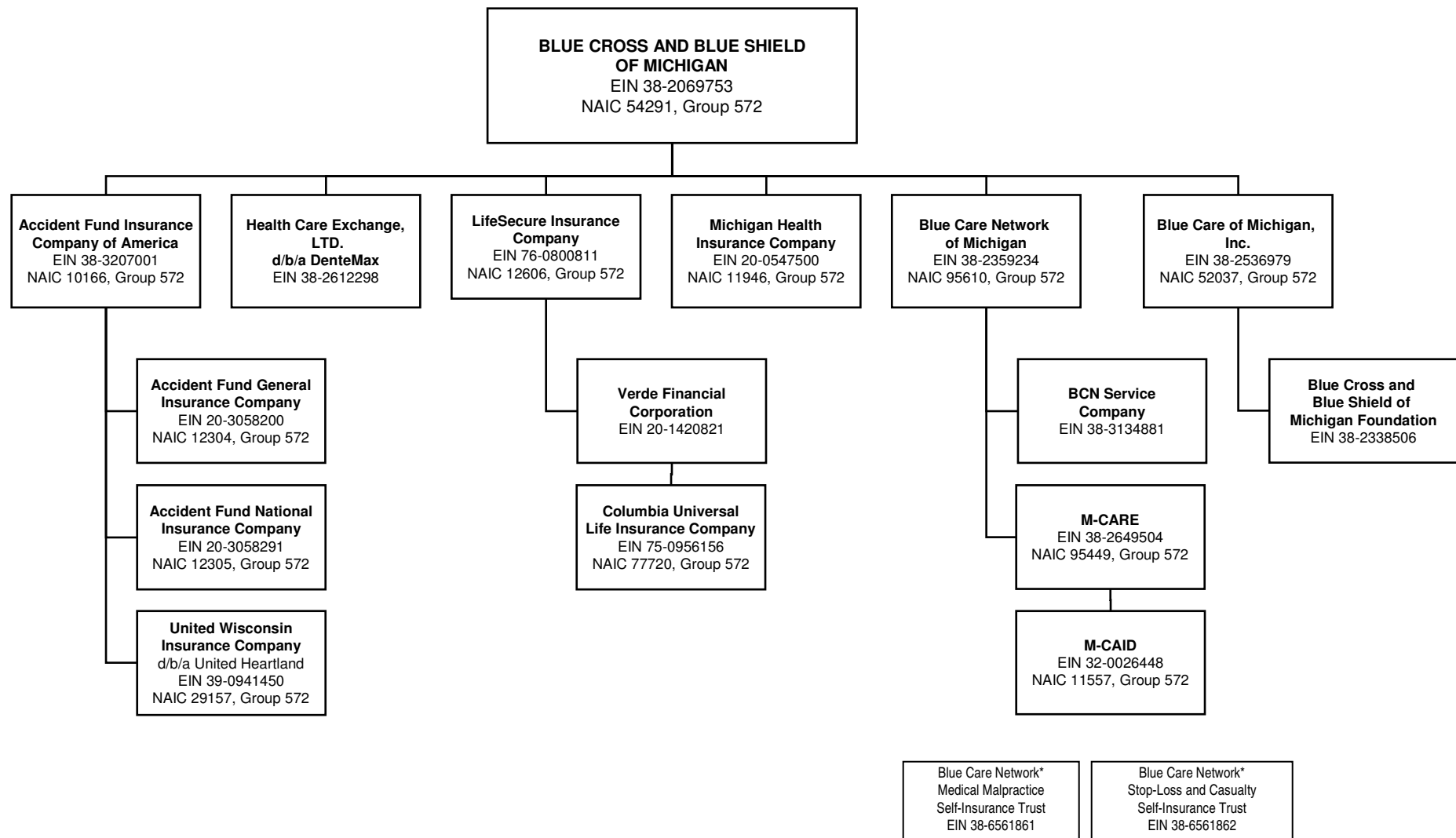
(a) Insert the number of yes responses except for Canada and Other Alien.



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SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP PART 1 – ORGANIZATIONAL CHART

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



ANNUAL STATEMENT FOR THE YEAR 2006 OF THE M-CARE

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Exhibit of Nonadmitted Assets Line 23

2304.	Leasehold Improvements		636,741	636,741
2397.	Summary of remaining write-ins for Line 23 from overflow page	0	636,741	636,741